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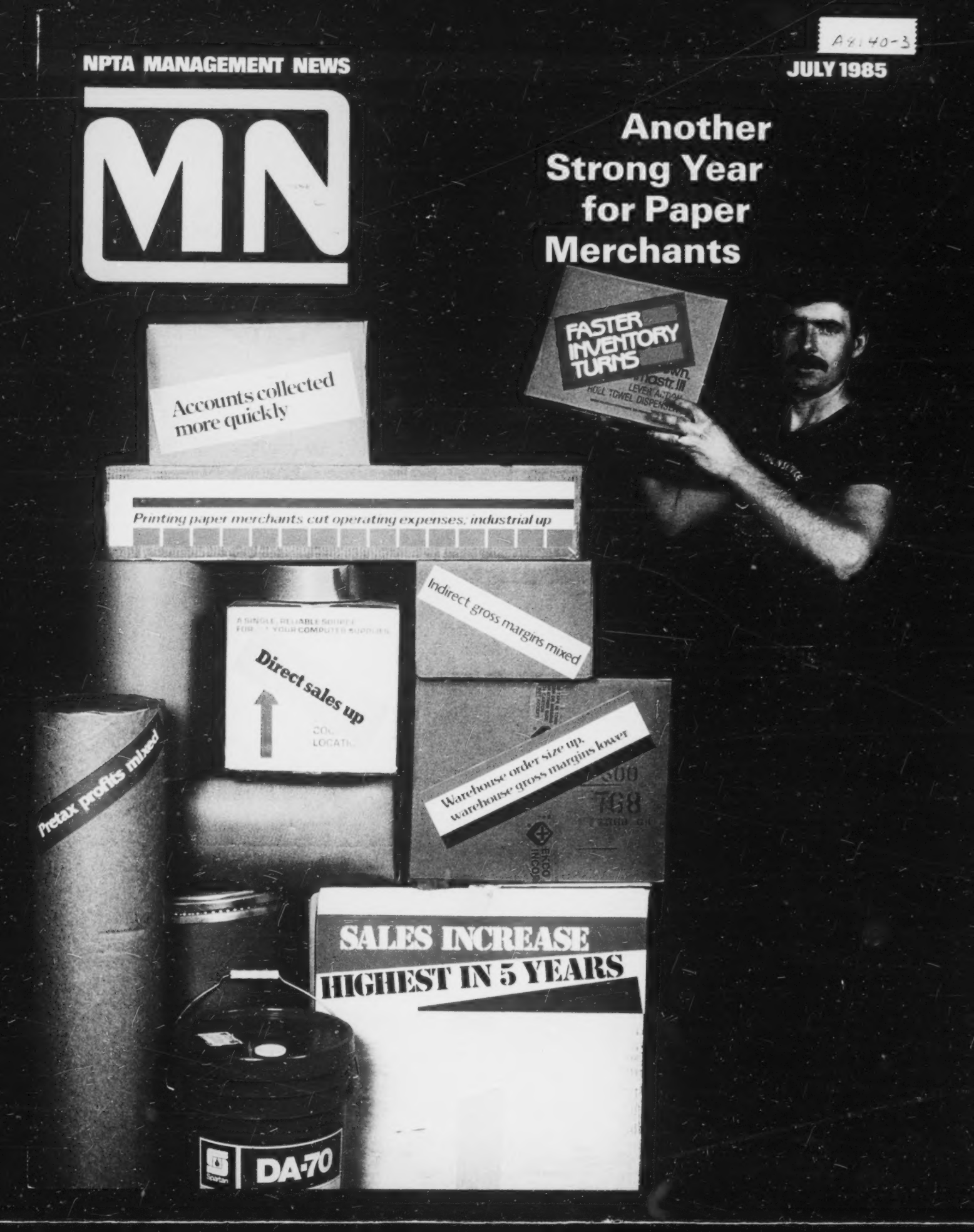
NPTA MANAGEMENT NEWS

JULY 1985

MN

Another Strong Year for Paper Merchants


FASTER INVENTORY TURNS
Accounts collected more quickly
Printing paper merchants cut operating expenses, industrial up
Indirect gross margins mixed
Direct sales up
Pretax profits mixed
Warehouse order size up, warehouse gross margins lower
SALES INCREASE
HIGHEST IN 5 YEARS
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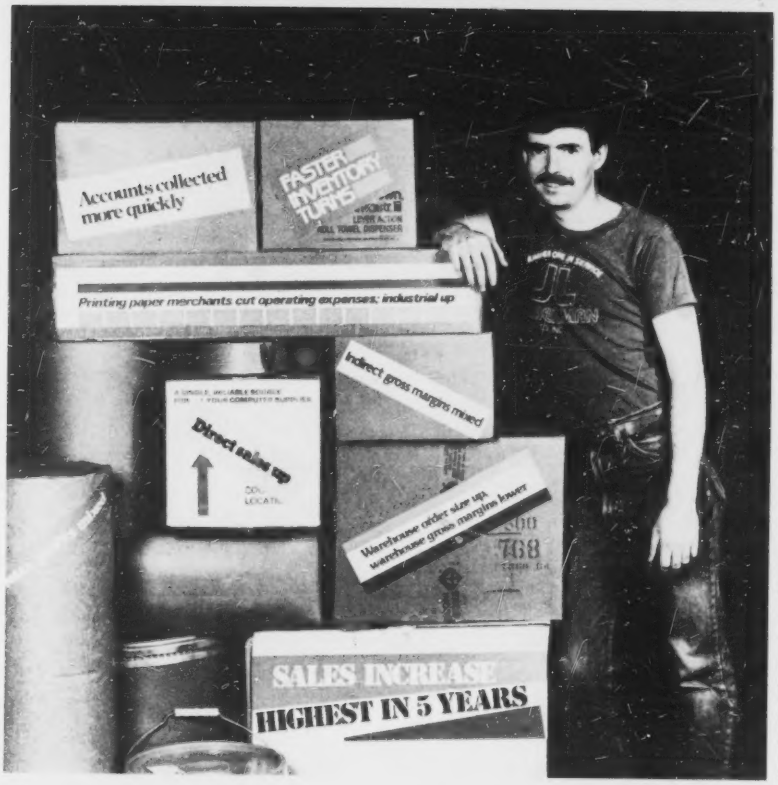
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MN'S NEW LOOK

Management News magazine has updated its design with this issue. A new headline type has been selected and the size and arrangement of the article heads on the page is more attractive. Feature articles and department names are set in rules that now go completely across the top of each page.

"The 'new look' is more readable," said *MN* editor William H. Frohlich. "The magazine clearly has its own style that relys on crisply written departments and features that makes it a very efficient way for readers to get the industry information they need each month," he said.

Another change for *MN* is that typesetting is now being done by the aid of a personal computer. Editorial material is being keystroked in the offices of the magazine and the computer disks are being sent to the typesetter.

"By the end of the year we will be 'online' with the typesetter," Frohlich said. "Material will be sent over telephone lines via modem by the end of the year. Using this new technology will allow us to be more current," he said.

130 BILLION COPIES WASTED

American corporations are spending at least $2.6 billion dollars a year on unnecessary photocopies, according to a recent article in *The Wall Street Journal*. These photocopies account for nearly two out of every five copies made.

The results of a nationwide survey of vice presidents and personnel directors of 100 large companies found that 29% of photocopies made for business purposes aren't necessary. And, out of approximately 350 billion photocopies made each year, 8% are for personal use.

LESLIE ACQUIRES CHICAGO PAPER

The principals of Chicago Paper have joined the management of Leslie Paper Company. Leslie, headquartered in Minneapolis, MN, operates four divisions plus 11 branches in the Midwest, Washington, DC and Dallas, TX.

Chicago Paper is a 103 year old fine paper merchant based in Des Plaines, IL with 1984 sales in excess of $40 million. They also maintain offices in Milwaukee and the Quad Cities.

Chicago is the number two printing market in the United States and is especially important to Leslie. Bill Ellis, president of Chicago Paper, and his management team will remain in charge of the operation for Leslie.

POTLATCH EXPECTS DIFFICULT MONTHS AHEAD

Potlatch anticipates that it will have to adjust to a weakening economy in 1985, the company reported on May 3. Richard B. Madden, chairman and CEO, told stockholders at their annual meeting in San Francisco that Potlatch will continue to do well those things it can control. "Our response now is to stay with those operating and financial policies that will enhance the competitive positioning of our major wood and pulp-based businesses," Madden said. The company is currently facing deteriorating economic conditions and the added burden of widening softness in key paper markets.

"The U.S. dollar's persistent relative strength continues to hurt key Potlatch paper markets, particularly the bleached paperboard export business," Madden reported to the shareholders. "Order backlogs at all of our bleached paperboard and printing paper mills are considerable below year-ago levels," he said.

From a broader economic perspective, Madden said the strong dollar and its negative impact on the nation's trade balance is among several unresolved issues that demand attention at the federal level. "Excessive government spending and huge budget deficits continue to have an adverse influence on nearly all of our businesses," Madden said.

BUTLER BECOMES GNN'S LARGEST DIVISION

Butler Paper Company, headquartered in Denver, CO, has been named Great Northern Nekoosa's fifth operating division. William R. Laidig, chairman and CEO of GNN made the announcement and said that the new designation for Butler took effect on July 1, 1985.

Butler Paper has been a subsidiary of Nekoosa Papers Inc., one of the four existing GNN divisions. The establishment of the new division, which consists of Butler Paper and Mail-Well Envelope, is a reflection of the rapid growth the two companies have experienced in the last few years.

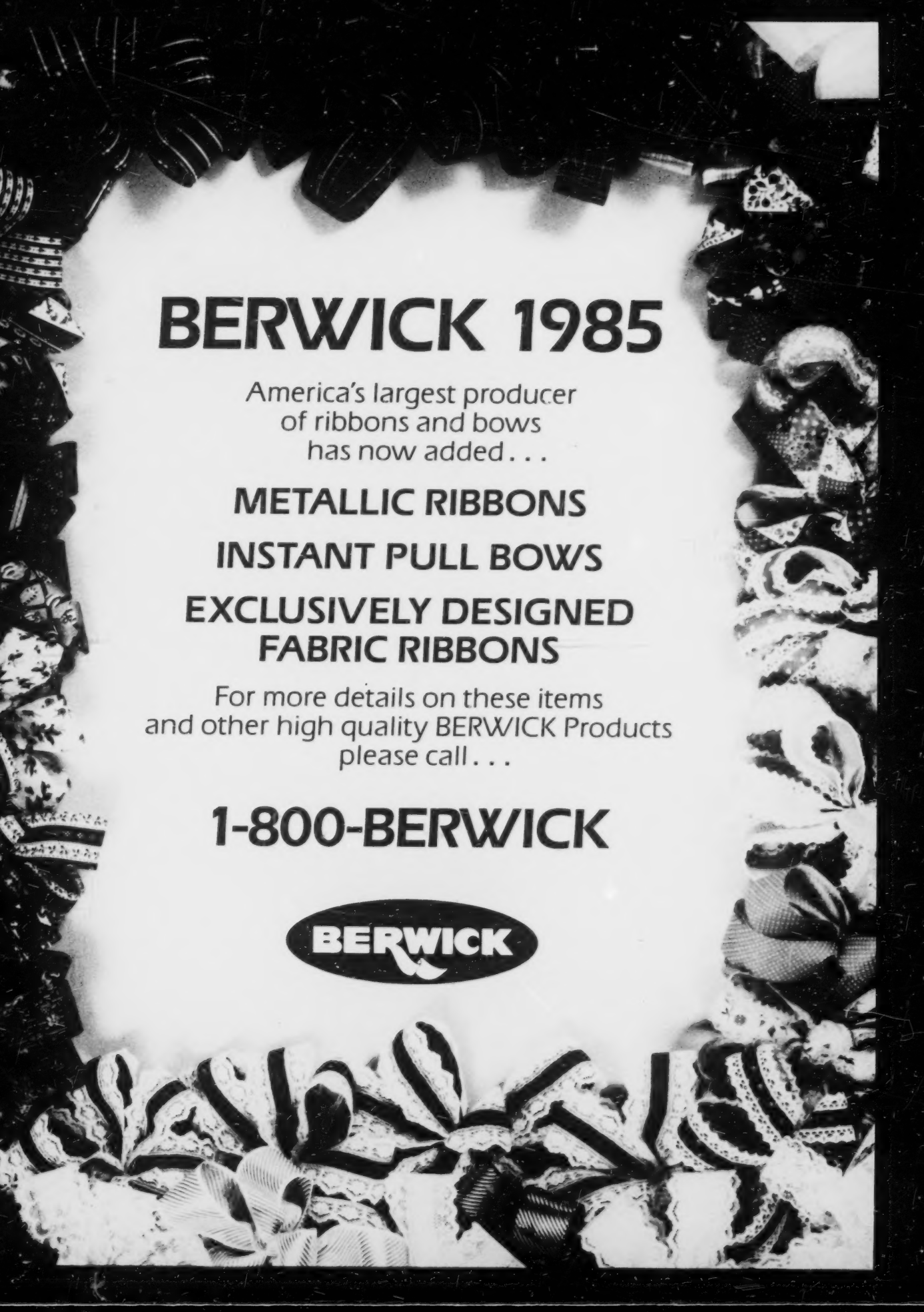
In making the announcement, Laidig said, "Because of Butler's size, continuing growth and dynamic prospects, it is now appropriate for the company to be a separate GNN division. This is an acknowlegement of its increasing importance to our total sales revenue and profitability."

Butler will be GNN's largest division as measured in sales. In 1984, sales for the paper distribution and envelope business were over $600 million. In 1985, sales will be significantly larger as the result of both normal growth and acquisitions.

Because its business is less capital intensive than paper manufacturing, Butler's assets ($165.6 million at the end of 1984) are less than those of GNN's manufacturing divisions. Butler's earnings have been noted both for consistency and long-term growth. The new division will have approximately 4,200 employees.

Butler Paper was founded in Chicago 140 years ago. Its paper distribution business has expanded to 64 location through internal growth and acquisition. The company moved its executive offices to Denver in 1980.

Francis G. (Mike) Walker will continue as president of Butler Paper, but will now report directly to Laidig. Walker is also a vice president of GNN. Sherwin Zimmerman will continue as president of Mail-Well Envelope, reporting to Walker.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FREE BOOKLET ANSWERS FAMILY BUSINESS QUESTIONS

Frank Butrick, an expert on family relationships in the privately-owned business, has published a booklet that discusses the more frequently-asked questions by troubled business owners and their heirs. The booklet, titled "Ask Mr. Butrick...," presents letters from both parents and heirs.

Mr. Butrick discusses such parents' problems as: "None of my children will take over...what should I do?" and "I will be turning over the business to my son soon, but I don't want to retire completely...how can I avoid getting in my son's way?" From the viewpoint of the heir, Mr. Butrick presents heirs' problems such as: "My father is semi-retired and I run our business. But dad takes more money than I get. How can I get him to pay us equally?" and "Father offered me a job in his business, but it doesn't interest me as much as my speciality. Should I accept?"

The booklet answers about a dozen questions regarding these types of family business problems. It is available by sending $1.00 to cover postage and handling to the Independent Business Institute, P.O. Box 159, Akron, OH 44309.

CENTURY PAPERS REPORTS GOOD YEAR

Century Papers, Inc. of Houston, TX reported unaudited net earnings for the year ended March 31, 1985 were $989,000 on sales of $103.4 million. Earnings growth showed a 7.5% increase over the past year on sales that increased 36.8%

Herschel G. Maltz, president and CEO of Century, said earnings in the fourth quarter were lower than the company had expected earlier. He said that "business was generally sluggish and highly competitive throughout most of our operating divisions and was particularly below par in Houston and the Rio Grande Valley of Texas."

ALLING AND CORY'S VAN DERBOGART DIES

Clifford L. Van Derbogart, retired chairman and president of Alling and Cory headquartered in Rochester, NY, passed away on May 18, 1985 at the age of 84. He retired from the company in 1970.

Van Derbogart joined Alling and Cory in 1954 as assistant to the president. He was elected vice president and a member of the board of directors in 1956 and became president in 1957. The following year he was named chairman of the board.

As a leading figure in the paper industry, Van Derbogart served as chairman of the Paper Distribution Council and was a director of the National Paper Trade Association. He also served as chairman of eight mill advisory councils as well as the leader of many other groups.

SOUTHWESTERN MERCHANTS HELD SUCCESSFUL MEETING

San Antonio marked the sight for a gathering of 150 delegates for the annual Southwestern Paper Merchants Association convention this past Spring. The associations' members discussed past and future activities, accepted a slate of new officers, viewed exhibits at the "Paper Af-

EVENTS

JULY

9–10. *Successful Inventory Management For The Wholesale Paper Distributor, Washington, DC. Contact NPTA.*

25. *Managing Customer and Product Line Profitability, New York, NY. Contact NPTA.*

30–8/1. *Graphicsfaire, the first show in the summer series will be held at the Sheraton Waikiki, Hawaii. For more information call or write: DANF Associates, 100 West Grove Street, Suite 115 Reno, Nevada 89509. (702) 825-6228.*

AUGUST

6. *Telemarketing—The Key to Maximizing Your Sales Efforts, Montreal, Canada. Contact NPTA.*

7. *Telemarketing—The Key to Maximizing Your Sales Efforts, Buffalo, NY. Contact NPTA.*

8. *Telemarketing—The Key To Maximizing Your Sales Efforts, Baltimore, MD. Contact NPTA.*

25–27. *Institute for Graphic Communication's Advances In Impactless Printing, Holiday Inn On The Beach, Monterey, CA. For more information regarding IGC Conferences call 617-267-9425.*

26–28. *The Keys To Growth As A Sales Manager, New York, NY. Contact NPTA.*

SEPTEMBER

5. *Managing Customer and Product Line Profitability—A Key To Survival And Growth In The 80s., Chicago, IL. Contact NPTA.*

fair" and enjoyed a host of social events.

Speakers at the convention included San Antonio Mayor Henry Cisneros and Dr. Richard Hansen of SMU. Dr. Hansen presented a session on sales and marketing techniques. Also, a Saturday morning roundtable discussion was held featuring John J. Buckley, Jr., president of NPTA and Noel Evans and Dick Reinhardt.

The new officers were accepted by acclamation as follows: Nick Nicholson, Apollo Paper, president; Monty Wright, Empire Paper, 1st vice president; Larry Maltz, Century Papers, 2nd vice president; James Jackson, Cardinal Paper, secretary-treasurer; and Richard Roberts, Roberts Paper, director at large.

The social events that were held at the convention included a golf tournament, cocktail parties, a "night-on-the-town" and the "Battle of the Flowers" parade.

G-P RELOCATES MIDWEST OFFICES

Georgia-Pacific has relocated its Midwest regional sales offices from Franklin Park to Schiller Park, IL. The new facility is adjacent to the southeastern boundary of the O'Hare International Airport complex.

The office is the regional base for company sales personnel in the areas of kraft paper and bleached board, printing paper, safety paper, containerboard, consumer tissue and commerical tissue products and systems. The new address is Southgate O'Hare Office Center, 4333 Transworld Road, Suite 200, Schiller Park, IL 60176. The telephone numbers remain unchanged.

NAPL AWARD GOES TO McCLAY

The National Association of Printers and Lithographers presented its highest award to James J. McClay at the annual meeting of the Walter E. Soderstrom Society in April. McClay is the president of Mike Roberts Color Productions in Oakland, CA.

The Soderstrom Award, named after the founder of NAPL, is presented annually to an individual in recognition of outstanding contribution to the industry. McClay was commemorated for his distinguished term as chairman of the NAPL in 1982–1983. The award also conveys great respect for McClay's contributions to the industry in general.

While chairman of the NAPL, McClay was responsible for the association's new logo, two new periodicals and an in-depth Long Range Plan for the association. Also, McClay developed an innovative educational break-through called the "Executive Certification Program."

McClay has also held several key positions in a variety of industry organizations including having served as president of the Associated Printing Industries of East Bay and the Post Card Manufacturers Association. Also, he was director of the Printing Industries of Northern California. Currently, McClay serves on the board of the Graphic Arts Education and Research Foundation.

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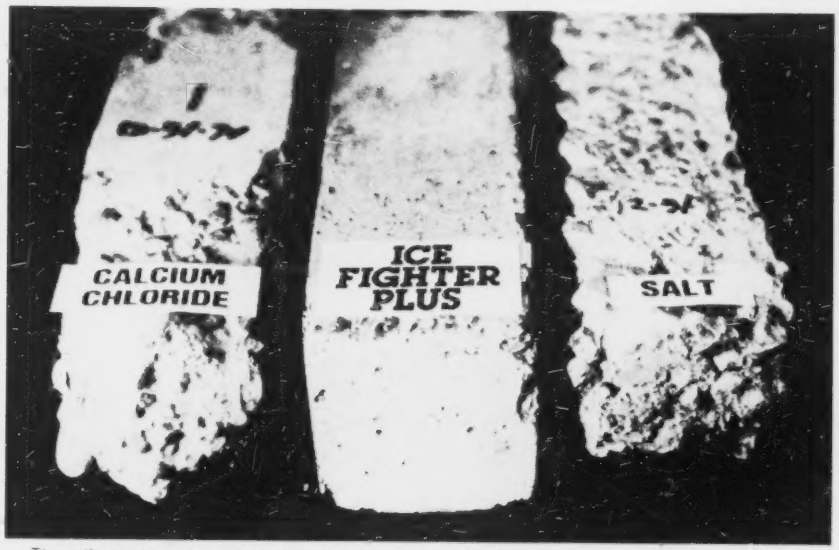

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PEOPLE IN THE NEWS

Mike Mazo has become president of Saxon Paper–New York.

Ronald E. Mechling has been named director of marketing for Dillard Paper Company, Greensboro, NC.

Robert M. Baumgardner has been appointed executive vice president of Carpenter Paper Company of Nebraska headquartered in Omaha. Prior to his appointment, was general sales manager–business and printing papers for Boise Cascade. **Rex E. Watson** has been appointed sales manager of Carpenter's Great Falls, MT district.

Reyburn D. Gove, II has been promoted to sales manager and **Ted Rymarz** has become product manager of Morris Paper Company, Pittsburgh, PA.

Dennis Burnell has been appointed corporate marketing manager of Inlander-Steindler Paper Company's Elk Grove Village, IL branch.

Ron Pierce has been appointed vice president–sales of Moore Paper Company, Houston, TX.

Sol Hyman, vice president of H. Goldman and Sons of Philadelphia, has retired after 54 years in the paper industry.

James E. Carbine has been named sales manager of Joseph Weil & Sons, Inc. of Chicago, IL.

James W. Ward has been appointed vice president and general manager of Schnaible Service and Supply Company of Lafayette, IN.

Steve Ohrman has been named vice president of West Coast Paper Company of Seattle, WA. **Richard Smith, Carolee Calvo, Dennis Wheeler** and **Brett Mitchell** have also been named vice presidents of the company.

George B. James has been named as president of the newly restructured Crown Zellerbach Corporation. **William T. Creson** will continue as chairman and CEO. **James A. Toney** becomes the president of the new specialty packaging company and **MacDonald S. Denman** will head the limited timber partnership.

PRINTING PAPER

CANADA'S PRINTING TARIFF POLICIES IN QUESTION

The Printing Industries of America's Government Affairs Department has asked U.S. Trade Representative, Clayton Yeutter, to investigate the Canadian government's action to increase tariffs on catalogues and advertising materials by 50%. PIA asked for a review of Canada's compliance with the General Agreement on Tariffs and Trade (GATT).

During GATT negotiations, Canada agreed to reduce its tariff on catalogues and advertising material from the rate established in 1984. In addition, they agreed to change their tariff evaluation methods from fair market value to transaction value (invoice amount).

When the method change went into effect, Canada implemented a 50% *increase* on catalogues, advertising materials and other selected items. Therefore, while the overall effect of the new tariff was to reduce tariffs in printed products, the reductions were in areas where trade is minimal, and the increases were in areas where trade is substantial.

TWO PHILADELPHIA AREA PRINTERS IN TROUBLE WITH GPO

The Public Printer of the United States, Ralph E. Kennickell, Jr., recently announced the debarment of two Philadelphia area printing contractors from doing business with the U.S. Government Printing Office (GPO) for a 1-year period. Robert Camm, president of Quadra Graphics of Pennsauken, NJ and Lawrence Kelly, of M and M Displays, Inc. of Philadelphia, PA, were debarred for providing meals, liquor and other valuables to employees of GPO's Philadelphia Regional Printing Procurement Office.

Mario Bernazzoli, manager of the Philadelphia Regional Office was sentenced to 60 days in prison in July, 1984 for accepting unlawful gratuities from printing contractors. GPO fired the assistant manager of the same office for similar reasons.

Public Printer Kennickell noted that debarment proceedings against other Philadelphia area printing contractors for providing gratuities to Government employees are under active consideration. In October, 1984, GPO debarred Cassidy Printing Company of Southampton, PA on the grounds that the company's performance of Government contracts indicated a lack of reliability and business integrity.

"Debarment actions such as these and others under consideration make it clear to everyone that GPO is committed to carrying out an aggressive program to protect the public interest in all of our dealings with contractors," Kennickell said. "In this manner," he added, "we not only serve the American taxpayer, but our customers and reputable contractors as well."

COATED SUPPLIER STOCKING 5 MILLION POUNDS OF PAPER

United Paper,Inc. of Sturgis, MI has introduced "UNI-COAT C1S and C2S," a new line of coated cover and board stocks. Terry Mildenberg, president of the company, states that the firm is carrying an inventory of five million pounds of coated paper and board stocks for immediate shipment to merchants.

UNI-COAT is produced by a leading US manufacturer, but they are also carrying the premium finish board called "Tako."

"One of the features of our sales policy," stated Charlie Schmidt, sales manager of United Paper, "is that there is no minimum order size. We will also ship truckload lots up to 200 miles without a freight charge," he said.

INDUSTRIAL PAPER

IT'S IN THE BAG

Shipments of paper and non-paper bags (including grocers' and variety/merchandise bags and sacks, specialty bags and liners, multiwall bags and shipping sacks) climbed an estimated 4.0% in 1984. That was the second successive year of positive growth for the industry—1983 was up 2.5%. This news was just reported by the US Department of Commerce in its *US Industrial Outlook 1985*.

Stimulating the upturn was a gradual improvement in the consumer, nondurables sector represented by those purchasing domestic bags and liners. Added to this was the sharp acceleration in the level of business activity on the part of those companies that utilize bags and sacks in their manufacturing processes.

Domestic bag sales, in general, grew very slowly during the last decade showing a compound annual rate of less than 0.5%. The more highly fluctuating industrial-type demand was severely constrained by a series of economic downturns over that period as well. But significant changes have taken place within the bag industry in recent years and a major shift has been seen in the type of packaging used. The trend from paper to plastic films has been evident.

Paper vs Plastics

In 1984, flexible plastic packaging was estimated to have accounted for over 60% of the real value of domestic bag shipments—up from 45% in 1972, and over 90% of the specialty bag and liner product group (the industry's major subcategory).

The trend toward alternative plastic packaging was quite rapid during the 1970s but has slowed in the 1980s. This can be attributed, in part, to the greater cost-competitiveness of kraft paper with comparable plastic film recently, plus consumer preference for paper bags and sacks in certain end-use markets. Although plastics now claim 8–10% of the grocery bag market, it is far less than what was previously predicted a decade ago.

Traditional retail customer buying habits, the convenience, and greater rigidity of the kraft paper bag and that it can be recycled has slowed the shift to plastics. In other areas of the bag industry, though, the inherent advantages of flexible plastics have played a major role in their advancement. These include: lighter weight, greater tear strength, higher moisture resistance, better storageability, less energy needed for production, better printability with colored inks, and better reusability. Plastics are now in common use as merchandise, laundry, dry cleaning, shipping, and as food and confectionary wrappings. Plastic films are also being incorporated into heavy-duty paper shipping sacks and multiwall bags to give added strength and better protection against moisture loss.

Multiwall Bags

In the past two years, the most dynamic growth sector in the industry has been in multiwall bags and shipping sacks. It is estimated that during the first half of 1984 the volume of shipments of paper shipping sacks climbed about 10% over the comparable period the year before with strongest demand among chemicals, cement and minerals end-users. Although industrial demand for shipping sacks was down during the second half of 1984, shipments for the entire calendar year were estimated to have climbed about 7% over the previous year's level. In 1984, an estimated 3.4 billion shipping sacks were sold compared to about 3.2 billion in 1983 and 3.1 billion in 1982.

Foreign Competition

Foreign trade in paper and plastic bags and liners is small in relation to annual domestic shipments (about 1% for both exports and imports). In 1983–84, the United States imported a larger dollar volume of bags (mainly plastic) than it exported which reversed its traditional positive trade balance in this area. Comparatively lower-priced and lower-quality plastic bags, wraps and liners have been entering US markets in increasing quantities from low-cost producers in Southeast Asia (especially Taiwan). US producers sell their quality bags primarily in Canada and Mexico in addition to at home.

Outlook for 1985

The real value of bag shipments is forecast to climb about 2.0% in 1985, reflecting continuing (though slower) growth in industrial demand for shipping sacks and multiwall bags, and a fairly steady rate of increasing sales for grocery and merchandise/variety bags and liners. Plastics will continue to make inroads into the grocery bag and sack market at the expense of paper, capturing as much as 12–13% of the real value of shipments in this sector by the end of 1985. Consumer resistance will constrain a more rapid shift to plastics in the grocery bag sector and some major grocery chains will continue to offer their customers the luxury of choosing either paper or plastics. Imports will continue to outpace exports as low-cost foreign producers exploit continuing US demand for lower-priced flexible plastic packaging.

Long-term Prospects

For the 1985–89 period, bag shipments are expected to climb at an average annual compound rate of 2.0% with much of the growth centered in the shipping sack and multiwall bag sector. This assumption is contingent on a fairly healthy domestic economy with attendant demand for industrial-type packaging. Plastics will continue to increase their market share of the grocery bag and sack sector at the expense of paper, capturing about one-third of that market by the end of the forecast period.

Other industry growth areas in this period will include plastic shrink and stretch film used to bundle heavy palletized loads. Retort food pouches will begin to show promising growth after years of disappointing sales. The pouch, constructed of layers of plastic film and aluminum foil, has been undergoing continuing technological change and improvement and will eventually be adapted for use in conventional and microwave ovens. It may ultimately compete for markets currently dominated by the metal can.

Merchants Post Highest Sales Growth in 5 Years

For 50 years, the National Paper Trade Association has collected data on the paper and allied products distribution industry. The industry, representing nearly $24 billion dollars in annual sales, has been in a growth mode and the NPTA survey has tracked right along with it.

This year the Association's survey sample totaled over $7 billion in 1984 sales. This represents 30% of the entire industry. As far as surveys go, this is a more than significant sample. The reliability of these statistics, without question, merit the readers attention.

The complete report, Paper Merchant Performance, is available from NPTA to suppliers at $135. It is currently being mailed to all NPTA member firms at no charge.

Performance Analysis Report (PAR) for calendar year 1984 which represented over $7 billion in paper merchant sales, consisted of $4.2 billion in printing paper, $1.1 billion industrial paper and $1.7 billion in dual paper merchant sales. This breaks down to a mix of 60% printing, about 25% dual and 15% industrial.

The Typical Firm

The "average" printing, industrial and dual paper merchant is analyzed in this article by looking at key sales, profitability and asset management measures. Performance is tracked for calendar years 1984 and 1983. A company may differ from these national averages, however it *is* useful to compare individual company results with these industry averages to see how well that firm has performed.

Composite means have been used for all data. These figures are the most meaningful, since they represent the performance of each group as a whole, yet they are weighted for large and small firms.

Sales Performance

Once again, merchants posted very strong sales increases during 1984, higher than in 1983 and far outpacing inflation in general. The U.S. Bureau of Labor Statistics reported that producer prices of printing paper rose 5.2% in 1984 and were up 5.3% for industrial paper.

The average printing paper merchant par-

Table 1 THE AVERAGE PRINTING PAPER MERCHANT

COMPOSITE MEANS*	1983	1984
SALES PERFORMANCE		
Percent Sales Change Over Prior Year (%)	14.62	24.50
Warehouse Sales As % Total Sales (%)	45.73	43.47
Direct Sales As % Total Sales (%)	51.24	53.98
Avg. Warehouse Order Size ($)	$370.10	$398.74
PROFITABILITY & OPERATING EXPENSES		
Net Profit Before Tax As % Net Sales (%)	2.36	2.77
Warehouse Gross Margin As % Warehouse Sales (%)	22.96	22.22
Indirect Gross Margin As % Indirect Sales (%)	17.62	17.46
Direct Gross Margin As % Direct Sales (%)	6.55	6.24
Operating Expenses As % Gross Trading Margin (%)	85.29	81.81
ASSET MANAGEMENT		
Inventory Turnover (Whse. only, times per year)	4.80	4.93
Days Sales In Accts. Receivable On Nov. 30 (Days)	43.84	41.51

*Composite means reflect the performance of each group as a whole.

ticipating in PAR, however, registered a 24.5% gain in sales—more than four times the inflation rate. The average industrial merchant posted a 14.3% gain (up from 6.5% in 1983), while dual merchants experienced an 11.9% increase (up from 8.3% in 1983); all–in–all a strong performance in 1984.

Printing paper merchants had the largest percentage of direct sales relative to their total revenues—nearly 54% of total sales during 1984. Corresponding figures were 36% for dual firms and about 28% for industrial houses. All three kinds of merchants had a higher share of direct sales in 1984 than 1983.

The average warehouse order size in a printing paper house stood at $398.74 (up 7.7% over 1983), $278.51 in an industrial firm (up 14.4%), and $337.79 for dual merchants (up 14.1%).

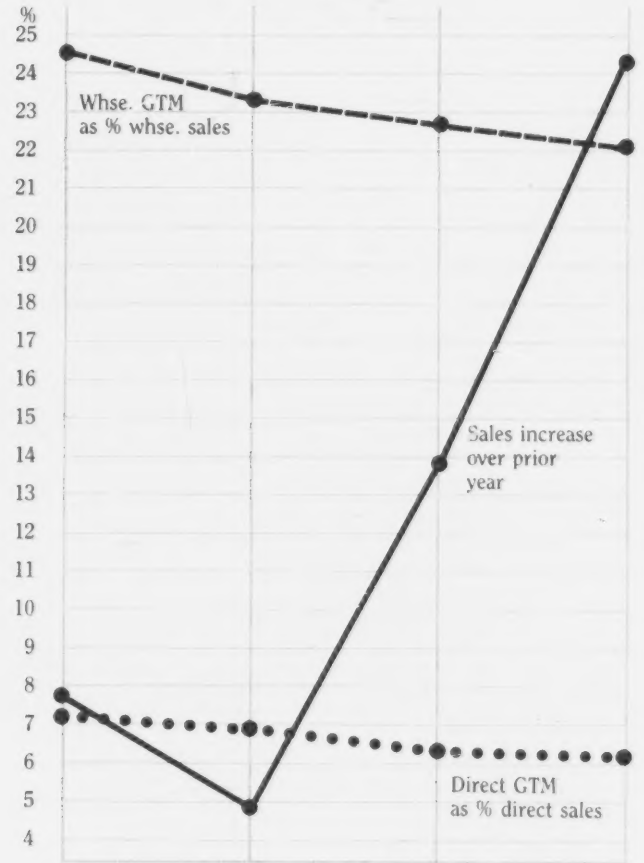
Table 2 THE AVERAGE INDUSTRIAL PAPER MERCHANT

COMPOSITE MEANS	1983	1984
SALES PERFORMANCE		
Percent Sales Change Over Prior Year (%)	8.29	11.85
Warehouse Sales As % Total Sales (%)	69.67	66.26
Direct Sales As % Total Sales (%)	23.90	27.97
Avg. Warehouse Order Size ($)	$243.42	$278.51
PROFITABILITY & OPERATING EXPENSES		
Net Profit Before Tax As % Net Sales (%)	2.22	1.98
Warehouse Gross Margin As % Warehouse Sales (%)	22.85	22.65
Indirect Gross Margin As % Indirect Sales (%)	22.74	23.14
Direct Gross Margin As % Direct Sales (%)	12.00	12.66
Operating Expenses As % Gross Trading Margin (%)	92.86	94.48
ASSET MANAGEMENT		
Inventory Turnover (Whse. only, times per year)	6.26	6.32
Days Sales In Accts. Receivable On Nov. 30 (Days)	39.58	36.42

*Composite means reflect the performance of each group as a whole.

Chart 1

Printing Paper Merchant Performance



Source: National Paper Trade Association, inc. 1985

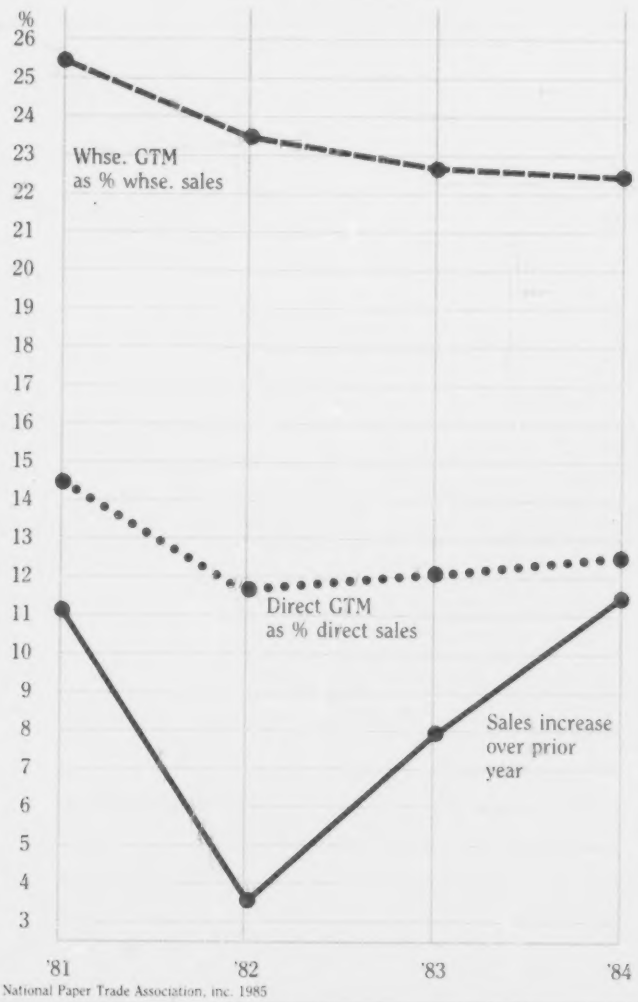
Profitability

Printing paper houses cut their operating expenses (as % of gross trading margins) significantly in 1984. Dual merchants cut expenses slightly but industrial merchants' expenses relative to gross margins rose and stood at the 94.5%, highest of all three groups. The same pattern held true when examining pre–tax net profits as a percent of net sales. Printing and dual merchants' net profits were up to 2.77% and 2.73% respectively, while industrial houses' profits slipped to 1.98% of net sales.

Warehouse gross margins (as % warehouse sales) were remarkably similar, ranging from 22.2—22.6% for all three types of merchants. Warehouse margins were very slightly lower in 1984 than 1983. *Direct* gross margins (as % direct sales) were down slightly for printing and dual firms, 6.24% and 8.72% respectively. Direct margins were up, however, for industrial merchants, to 12.66%. Direct margins, of course, are considerably lower than warehouse margins since a direct sales is shipped from

Chart 2

Industrial Paper Merchant Performance



Source: National Paper Trade Association, inc. 1985

Editor's Note: 1984 PAR data is very comprehensive and could never be covered adequately in one article alone. MN will be publishing more and different financial statistics in upcoming issues. If more information on a specific measure is needed (by region, sales volume, quartile or ROTA–Return On Total Assets), please call the NPTA Research Director.

the mill to the merchant's customer without the storage and handling costs involved. *Indirect* sales involve temporary storage at the merchant's warehouse, with more handling and delivery expenses involved than direct sales, but less than the typical warehouse sale. Consequently, indirect gross margins fall in the middle. These margins slipped slightly to 17.46% in printing paper houses and 17.96% in dual firms. Industrial merchants saw a slight rise, however, to 23.14% of indirect sales.

Asset Management

Two key asset management measures are inventory turn over and accounts receivable. For the most part, all merchants did a better job of collecting their receivables and making their inventory turnover more rapidly during 1984.

Printing paper merchants typically turned over their inventory 4.93 times in 1984 versus 4.80 times in 1983. Their days sales tied up in accounts receivable were reduced from 43.8 to 41.5 days. Industrial merchants' inventory turned over 6.32 times annually, versus 6.26 times in 1983. Receivables were cut a full three days from 39.6 to 36.4. This is a critical area of improvement for merchants, since too long a collection period in today's climate of high interest rates in essence means that they are extending expensive trade credit to their customers. Inventory was turned over 6.43 times yearly in 1984 for dual merchants, compared to 5.76 times in 1983. Receivables were cut two days, from 41.6 to 39.6 days.

Conclusion

Taking into account the strong sales gains posted by merchants, the improved asset management performance, operating expenses being held in check and a maintenance or slight improvement of gross margins and pre–tax net

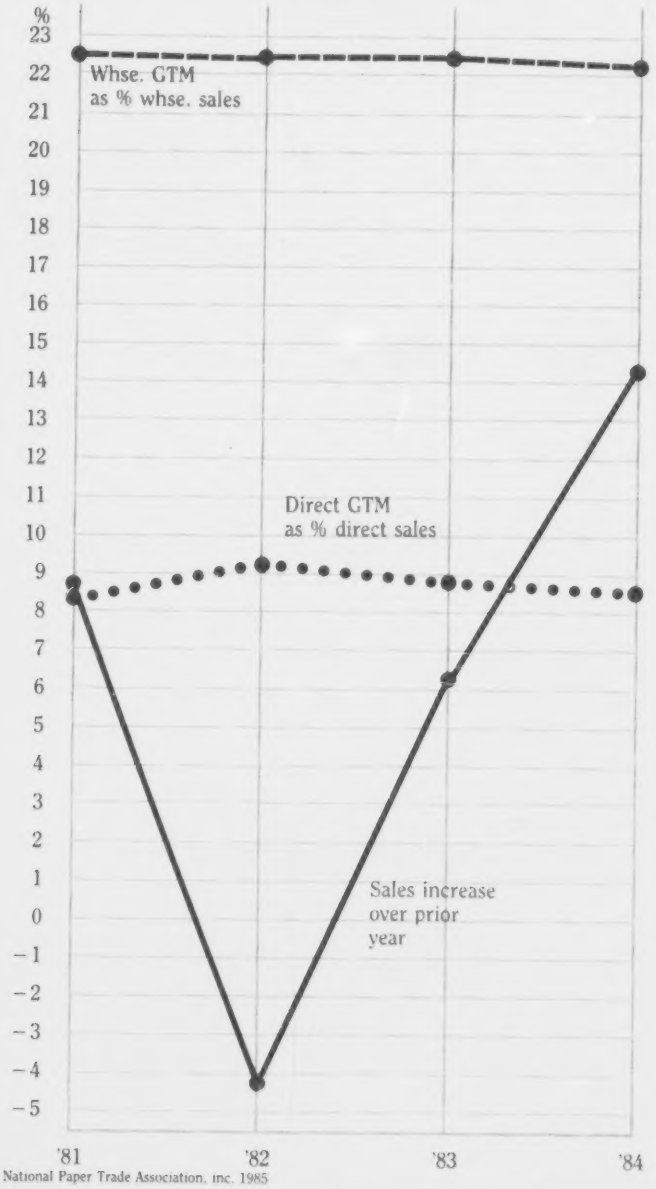
Table 3 THE AVERAGE DUAL MERCHANT

COMPOSITE MEANS*	1983	1984
SALES PERFORMANCE		
Percent Sales Change Over Prior Year (%)	6.45	14.26
Warehouse Sales As % Total Sales (%)	56.57	56.13
Direct Sales As % Total Sales (%)	35.51	36.11
Avg. Warehouse Order Size ($)	$296.20	$337.79
PROFITABILITY & OPERATING EXPENSES		
Net Profit Before Tax As % Net Sales (%)	2.50	2.73
Warehouse Gross Margin As % Warehouse Sales (%)	22.78	22.32
Indirect Gross Margin As % Indirect Sales (%)	18.04	17.96
Direct Gross Margin As % Direct Sales (%)	8.74	8.72
Operating Expenses As % Gross Trading Margin (%)	87.37	86.82
ASSET MANAGEMENT		
Inventory Turnover (Whse. only, times per year)	5.76	6.43
Days Sales In Accts. Receivable On Nov. 30 (Days)	41.57	39.55

*Composite means reflect the performance of each group as a whole.

Chart 3

Dual Paper Merchant Performance



Source: National Paper Trade Association, inc. 1985

profits, 1984 was a well-balanced year of noticeable improvement for the typical paper merchant. This continues the trend of improvement set in 1983 and parallels the strong economy overall with its consequent firm demand from various paper end-use sectors.

Further improvements in profitability will be difficult when considering the extremely competitive environment. However, via such tools as telemarketing, increased computerization, cost control and more careful analysis of customer and product line profitability, these gains will be achieved.

Did You Know...?

■ Over 40% of an average paper merchant's assets are tied up in **Inventories?**

ARE YOU MANAGING YOUR ASSETS EFFECTIVELY?

To help you maximize your inventory control techniques, NPTA now offers:

■ *Automated Inventory Management For The Distributor* by Gordon Graham
ONLY $36.00

■ *Paper Merchant's Guide To Profitable Management: Management of Inventories* by NPTA
ONLY $15.00

ORDER TODAY!!

Contact: NPTA
111 Great Neck Rd.
Great Neck, N.Y.
(516) 829-3070

Bringing in a Specialist Saves Copco Money

The benefit of having Gordon Graham address the Copco group alone was a tremendous advantage since we could discuss individual Copco problems with him, as well as general inventory subjects. I have attended many inventory seminars but never have I participated in one that was so thorough and current with its ideas.—Jerry Page, Jr., president, Copco Papers.

Copco Papers, Inc. in Columbus, OH recently took a bold initiative by embarking on a major inhouse training effort. The objective was to provide management with the skills and competencies associated with inventory management. On April 25, 45 of their administrators–corporate president, VP's of fine and industrial papers, controllers and credit, purchasing, sales and human resource managers–took on an intensive, full-day program.

Copco wanted to involve all its key management people in learning more about inventory and all of the elements related to inventory management. And learn they did! Developed from NPTA's most successful and highly acclaimed seminar, "Successful Inventory Management for the Wholesale Paper Distributor," consultant and inventory management expert Gordon Graham customized the Copco presentation for its specific and individual inventory and marketing needs. Having management attend the workshop gave them an exposure to the many aspects involved in managing the inventory assets through proper controls in procurement.

The workshop took place away from the office in a setting designed to get everyone into a learning mood. The facility was the Michigan State University Conference Center in Troy, MI, near Copco's Auburn Heights Division. A second benefit of holding the program in that particular area was the opportunity for the attendees to visit the Auburn Heights facility.

What was accomplished at the workshop? The program's focus was on four areas:

- Using the computer to manage inventory more productively and efficiently
- Cost effective ways to improve service and turnover
- Practical guidelines required to make the warehouse run more efficiently, maintain records and the system
- Better ways to buy profitably

In the short time frame of the program, there were discussions of problems related to order point, safety allowance, line point, economic order quantity (EOQ), cost of carrying inventory, inventory turn, calculation of usage rate, cost to order, determination of inventory classification and buying before a price increase. Also discussed were topics such as warehouse location systems, stock transfers between divisions, inventory fill rates, action reports and dead inventory.

Merle Cunningham, senior buyer at the Columbus, OH Division said, "This seminar gave us a great deal of information to comprehend in one day. It was, however, presented in a manner that everyone could understand. It also included a workbook of examples to refer to during and after the meeting. We will be using this book many times as we consider the many different points brought out by Mr. Graham. Copco can benefit by the topics discussed as we implement them."

One of the fringe benefits of the program was the cost savings to Copco. Rather than an individual participant fee, the cost to Copco was a single group charge–one-fourth that of sending managers to one of the NPTA Education and Training Department's open programs.

The time away from the office for the Copco personnel will be returned many fold by the knowledge they gained. We must train and develop our people today to do a more professional job tomorrow. What we accomplished by the workshop was obtaining terminology, techniques, procedures, concepts and guidelines for inventory management that can be applied on the job for immediate results."

Inventory management expert Graham customized the Copco presentation for its specific needs.

For more information on a customized inhouse NPTA seminar, contact the Education and Training Department. The Department will be pleased to develop one of its many seminars for any company's specific marketing needs at a substantial savings.

By William Voisard, Corporate Manager, Purchasing and Inventory, Copco Papers

New Senior Sales Course

The Carew system provided us with such positive feedback from so many senior professionals throughout the United States. We saw it described by many as a significant career development experience. Positional Selling can offer definite career enrichment for Cordage people.—John F. Church, Jr., president, Cincinnati Cordage and Paper Company

The need for a high level sales training program for the paper distribution industry has become clear during the past year. Responding to this need, the National Paper Trade Association has announced the adoption of the Carew Positional Selling System's program. "This is a most exciting tool that many of our members are now using to improve sales," said John J. Buckley, Jr., president of NPTA. "The system is responsible for such outstanding results in the form of increased sales, increased gross trading margins and increased market share for those companies that have chosen to use it."

For these reasons, the National Paper Trade Association has decided to adopt the program for use throughout the paper distribution industry. Promotion to member firms has just begun.

A strong recommendation for the Carew System of training is the fact that its roots are in the paper industry. It is a product of years of development and testing with paper people and now it has reached its maturity in the paper distribution industry. Paper merchants in many parts of the country are already using the program and are capitalizing on its unique approaches to the sales situation. "The Education and Training Committee of NPTA, from its inception, has worked to provide the best available programs in sales training," said Dave Brizius, chairman of the group and corporate director of marketing communication for Copco Papers. "To my knowledge, the Positional Selling program is the fastest growing training program in the paper and graphic arts industries," he said.

The Positional Selling Environment

Positional Selling, as a training program, is taught inhouse at paper merchant firms. It is a week-long course that is customized to meet the specific needs of each firm. "As market areas and sales goals are different for each company, the system must be crafted to each need," Buckley said.

The program is intensive and is made up of a core course and a follow-up management component. Although it is designed for the experienced sales professional, newer, less experienced people can also benefit from the program. Further, the system utilizes the more experienced sales professionals as a resourse to help, support and increase the productivity of the entire organization. The net effect for those who have used the system is one that has far exceeded expectations.

Program Benefits

The Carew System is a unique approach to sales development that helps create a positive climate within the paper merchant operation. Sales professionals know how to stay "in position" with clients. The benefits of this program include:

- developing new business
- expanding business in established accounts
- revitalizing marginal accounts
- improving position in all accounts
- generating cooperation and support among sales representatives
- increasing the effectiveness of sales management
- increasing sales, marketshare and profitability

"I am excited about the support that the National Paper Trade Association has given to the Positional Selling technology," said Jack Carew, president of Carew Positional Selling Systems, Inc. "The outstanding results in the form of increased sales and increased profits, realized by so many of the NPTA members as a result of Positional Selling are a credit to the energy commitment their management teams have devoted to the pursuit of sales excellence."

More Information

The success stories are numerous and are well documented. It is for this reason that the National Paper Trade Association has included the Positional Selling program as part of its outstanding portfolio of services to its membership. For more information, contact the NPTA at 516-829-3070.

Young executives are invited to attend a special presentation by Jack Carew on October 5, 1985 at the Annual Convention. For details, contact NPTA.

U.S. Industrial Outlook for Wholesale Trade

Merchant wholesaling (SIC 50-51) is expected to post a sales gain of 10% by the end of 1985, with the durable goods' rate of increase larger than nondurables. Growth at a 9% rate is foreseen through 1989.

by Theodore A. Nelson, U.S. Department of Commerce

The Nation's 418,041 wholesaler-distributors, hereafter referred to as wholesalers, had sales of $2.0 trillion in 1982, the latest year for which data are available. The wholesaling industry comprises three groups: merchant wholesalers; manufacturer' sales branches and offices; and commission merchants, agents, and brokers. Merchant wholesalers accounted for 81% of total establishments, 58% of total sales, and 78% of employment in 1982.

In the United States, wholesaling probably is more vital to the economy than in any other country or marketplace in the world. It helps the economy adjust, both in times of high growth and in times of recession, because of its ability to react rapidly to changing demand and supply. Thus, wholesalers role as the nation's inventory manager is becoming increasingly important in times of economic flux.

During the remainder of the 1980's and into the early 1990's, the wholesale industry is expected to undergo significant change, according to a report published by the Distribution Research and Education Foundation (DREF), the long-range research arm of the National Association of Wholesaler-Distributors (NAW). Economic pressures, productivity gains, and technological developments are some of the factors that will provide large opportunities and major difficulties for wholesalers.

Current Situtation

The economic recovery that got underway in 1983 continued strong in the first half of 1984. The improved economy and pent-up consumer demand helped make 1984 an outstanding year for the merchant wholesale industry. In the first half of 1984, durable goods merchant wholesalers' sales increased by over 23% compared to the same period a year earlier. Due to improvement in the residential housing market, merchant wholesalers' sales of furniture and home furnishings and electrical goods increased by over 33% during the 6-month period. Other durable goods merchant wholesalers registering double-digit gains included motor vehicles and automotive equipment; hardware, plumbing and heating equipment; and machinery, equipment and supplies. Nondurable goods merchant wholesalers experienced a growth of over 14%. The only exceptional increase in this category was in paper and paper products that increased by over 23% during the first half of 1984.

The rapid growth during the first half of 1984 was not expected to continue throughout the entire year. Merchant wholesalers' sales for 1984, therefore, were estimated to reach $1.35 trillion (current dollars) in 1984, more than 14% above 1983. Sales by durable goods wholesalers were estimated to have exceeded $591 billion, up 17%. Nondurable goods wholesalers were expected to realize growth of about 11%, to an estimated $758 billion.

Characteristics and Composition of Wholesaling

Merchant wholesalers are engaged in selling merchandise to retailers; to industrial, commercial, institutional, farm and professional business users; or to other types of wholesalers. In addition to selling, merchant wholesalers also maintain inventories of goods, extend credit, physically assemble, sort and grade goods in large lots, break bulk packages and redistribute in smaller lots, refrigerate, deliver, and promote through such means as advertising, labeling and design. Merchant wholesalers also provide to their suppliers current mar-

keting information about changes in customer behavior and purchasing habits based upon comments received from the customers.

The remainder of the wholesaler industry consists of such groups as purchasing and selling agents, manufacturers' agents, export and import agents and commission merchants. Manufacturers' sales branches and offices as well as auction companies also perform wholesaling service.

The wholesaling industry's share of GNP was 6.8% in 1983. The average annual rate of growth of GNP originated by the wholesale industry has generally exceeded general business activity during the latter 1950's and throughout the 1960's. Since the early 1970's, however, wholesaling has grown slower than the economy, but the trend reversed in the early 1980's. And, wholesalers' sales will probably parallel or slightly exceed the overall pace of the economy throughout the remainder of the 1980's.

New Trends for Wholesalers

Wholesalers, responding to new competitive pressures, have become marketing specialists, helping customers do everything from calculating profit margins to laying out shelves and beefing up sales.

In the future, wholesalers are expected to continue introducing so-called value added services such as store design and market research. By 1990, three-fourths of all wholesalers will use on-line computerized order entry systems, according to industry estimates. Besides providing retailers with store labels and ordering machines, the wholesaler also will provide detailed monthly reports on sales by product and other types of services such as pricing, profit margins, advertising and shelf arrangements.

A study released by the NAW's DREF reports that in the future suppliers and customers are expected to place more of the inventory functions on wholesalers to reduce their costs of carrying inventory. Also wholesalers probably will perform more of the functions of inventory management as the percentage of total goods and commodities that are moved to the market through wholesalers increases. This would increase the need for wholesalers to manage inventories more effectively in the face of continuing high carrying costs and business growth.

Improved inventory management will require greater use of centralized full-time warehouses servicing satellite warehouses that stock only fast moving items or serve only as distribution points without holding inventory of their own. Wholesalers will also make extensive use of automated purchasing and inventory control systems, thus reducing the overall level of inventory and obsolescence and more use of on-line purchasing and inventory management systems linked to suppliers' inventory management systems.

With tighter inventory control, wholesalers are placing more importance on efficient and economical means for delivering goods. They must analyze the various transportation modes or carriers for delivering their particular products. They must weigh such factors as cost, speed and reliability against the quality of service.

More often than not, the wholesaler utilizes several modes for delivery of goods in order to keep costs down while maximizing service. For example, one firm may choose to fly its own plane to deliver goods under unusual circumstances, maintain its own trucks for local deliveries and utilize the U.S. postal service and public carriers for longer distances.

Foreign Competition

The influence of foreign companies and investors within the wholesale industry in the U.S. is expected to increase substantially in the 1980's. According to NAW's DREF, about 10% of U.S. wholesale companies will be foreign-owned and 15% of wholesale sales will be controlled by foreign manufacturing companies by 1990.

Foreign investors find the U.S. wholesale industry attractive for investment because of the economic stability here compared with other countries, a desire to control product distribution in the U.S. market, a high return on investment, and the foreign surplus of capital.

Some foreign owned manufacturers and wholesalers will probably establish wholesaler companies in the United States by 1990. Some of the competitive advantages that foreign-owned companies may have over domestic wholesalers distributing domestically produced products are: lower prices, access to quality foreign products, and access to specialized markets.

Employment and Earnings

Employment in total wholesale trade declined slightly in 1982 due to the recession, following an average increase of 3% annually between 1972 and 1981. In 1984, wholesale employment was estimated to have increased to 5.5 million, almost 4% above 1983. Merchant wholesalers continue to account for over three-fourths of total employment, while other

types of wholesalers–manufacturers' sales branches and offices, agents, brokers and commission merchants–accounted for the remainder. Employment levels, regardless of economic conditions, have been relatively stable over the years for two reasons: (1) the customers of most wholesale lines are so diverse that a slump in one consumer market does not hurt enough to compel laying off large numbers of employees and (2) dur ng the business recession, most wholesale firms reduce workweeks rather than lay off people.

During 1984, the average workweek in wholesaling was aproximately 38.5 hours, about the same as the preceding year. Average hourly earnings were expected to increase almost 4%, to $8.86 an hour.

During the remaining years of the 1980's, the service trades sector is expected to increase its share of all jobs in the labor market. Wholesale trade, however, is projected to show only modest relative gains in employment due to increased automation and better communication systems.

Product Liability

Product liability continues to be a crucial problem for wholesalers and other non-manufacturers of capital goods and consumer products. The problem was characterized in the 1970's by skyrocketing insurance premiums. Industry sources report significant evidence that dramatic increases in product liability premiums confront wholesalers across the United States.

To ease this burden, Congress enacted the Risk Retention Act of 1981 and clarifying legislation in 1983. It permits associations to form insurance groups tailored to their specific needs and risks. NAW, for instance, "tapped" the Act and offers a business insurance package designed specifically for wholesalers that provides both comprehensive general liability (including product liability) and workers' compensation coverage.

The industry believes that the Risk Retention Act provides only part, albeit an important part, of the solution to the product liability statute as a top legislative priority.

Pensions

In the wholesale industry, pension plans are an extremely important part of the fringe package offered by employers to employees. Both single and multiemployer pension plans are prevalent in the industry.

The primary focus of the industry's concern in the single employer area is on the financial condition of the single employer termination insurance program administered by the Pension Benefit Guarantee Corporation (PBGC). Industry sources report concerns that employers sponsoring underfunded single employer, undefined benefit pension plans are able to terminate plans and pass unfunded liabilities of plans onto the PBGC and, thus, onto other employers who continue to offer such plans to their employees. This combined with plan terminations brought about in the recent past by bankruptcies has led to a growing PBGC termination insurance program deficit. The deficit could reach $1 billion by the end of FY'87, according to industry sources, in the absence of a dramatic increase in the premium and/or legislation to reform the program itself. Industry sources report widespread support for reform legislation confined to addressing the deficit problem at the source as a prerequisite to any premium increase.

The Multiemployer Pension Plan Amendments Act of 1980 (MPPAA) was enacted to deflect what was viewed as an imminent threat to the financial stability of union-negotiated multiemployer pension plans. Under the Act, wholesalers face withdrawal liability that can be triggered by a total or partial decline in employer pension plan contributions. Facility shutdowns, workforce reduction, union decertifications, sales of businesses, natural disasters and a host of other events can also trigger withdrawal liability.

Industry sources report that many wholesalers have been hit with withdrawal liabilities, sometimes in excess of th affected firms' net worth. Other wholesalers report substantial contingent financial obligations. Wholesalers and others are seeking legislations to modify rules regarding withdrawal liabiblity, asset sales, premium rates, insurance provisions and funding standards.

Bankruptcy Reform

Since Congress acted in 1978 to substantially liberalize the nation's bankruptcy laws, wholesalers have become increasingly concerned about growing misuse of these laws. Specifically, wholesalers' customers and suppliers with substantial earnings potential have been able to avoid meeting their debt obligations. In some instances, particularly involving wholesalers of construction supplies and building materials, bankrupt contractors have reopened their businesses under a new corporate

identity, using wholesalers' goods that were never paid for in their new projects.

Wholesalers should realize some relief as a result of the enactment of the Bankruptcy Amendments and Federal Judgeship Act of 1984 which, among other things, contains a number of provisions to tighten the system to reduce abuses. However, wholesalers feel that the new bankruptcy law does not address the preference provisions of Bankruptcy Code.

High Effective Tax Rates

According to the wholesaler industry, the present federal tax structure creates wide disparities in effective tax rates paid by businesses that have similar financial profits. An "effective tax rate" is commonly computed by dividing the amount of taxes actually paid by the amount of net financial income as reported to shareholders. Thus, a business effective tax rate is determined by the *proportion of net income* paid as taxes, not by the absolute dollar amount paid. While the maximum corporate tax rate is 46%, the use of numerous exemptions, deductions and credit can dramatically lower the overall effective rate, in some cases by as much as 30 to 40 percentage points.

However, many businesses pay effective tax rates that are very high. For instance, labor and inventory-intensive industries, like wholesalers, are not able to make more than nominal use of most of the capital cost recovery provisions of the tax code because 80% of their assets are in inventory and accounts receivable, not in capital assets. The widely reported annual study of effective corporate tax rates by the Congressional Joint Committee on Taxation documents an effective tax rate of approximately 36% in the wholesale industry.

The existence and impact of the problems caused by the disparities in effective rates led the NAW to form the Coalition to Reduce High Effective Tax Rates with representatives of other major affected industries.

Outlook for 1986

Merchant wholesalers' sales will not grow as rapidly this year as they did in 1984. Their sales, however, should continue to grow faster than the economy again in 1985. If the economy remains fairly stable, total sales of merchant wholesalers should approximate $1.48 trillion, rising 10% above 1984. Durable goods wholesalers' sales should reach $665 billion, up 12%, while nondurable wholesalers' sales should post sales of $820 billion, an increase of 8%.

Some of these sales gains can be attributed to the increase in prices during the year. In addition, the expected combination of stable employment and an increase in personal disposable income that should strengthen consumer expenditures for merchandise, will reduce inventories of trading establishments; e.g. retailers, industrial, commercial, institutional and professional users. This should increase merchant wholesalers' sales since inventories must be replenished.

Long-Range Prospects

Assuming that the economy remains fairly stable, total merchant wholesale sales are expected to grow at an average annual rate of 9% during the 1985-89 period. Sharply changing market conditions, triggered by years of rising costs, volatile interest rates, and a shrinking capital base, will raise a number of issues over the next decade. Dealing with those issues will challenge merchant wholesalers to plan more precisely. For wholesale executives, planning for years ahead will be as vital as filling customer orders and meeting delivery schedules.

Now and in future years, wholesalers face changes in operating costs, credit terms, working capital, inventory valuations and maintenance, types of value added services, energy costs related to vehicle use and warehouse operations, state and Federal regulation, business taxation, technology advancement, market share, product diversification and acquisition and merger.

Operational or organizational adjustments may be needed to minimize potential loss or to take advantage of an unfolding opportunity. Computerization and market research will aid spotting trends and gauging the scope and direction of evolving changes.

As the need for investment capital expands in the 1980's, the potential sources of capital will become increasingly important. While internal cash from operations will continue to be their most important source of capital, wholesalers are also expected to rely in the future on several secondary sources of capital such as bank loans, mortgages and leases. Wholesalers will be less inclined to use short-term debt as a means for financing in the 1980's, instead, use of long-term bank loans will increase. Mortgages also are expected to offset the potential hazards of interest rate fluctuations that accompany reliance on short-term debt. Leases also will help increase cash flows, thereby freeing capital for financing other needs.

IN A CREATIVITY SLUMP?

Marketing managers can often find themselves in a creativity slump with a tired mind and a lack of innovative ideas. According to the book, ***Marketing Topics*** *as appeared in* ***Sales & Marketing Digest****, there are several suggestions that the manager can consider to get him out of that rut. If this is you . . .*

- *Read materials from other industries. These can be applied to your industry and provide refreshing new perspectives.*
- *Read good marketing books such as* ***In Search of Excellence****. Pay attention to chapters on the importance of marketing.*
- *Hold your marketing meeting in a new place. A change of scenery can have a positive influence on tired minds.*
- *Delegate one of your routine jobs and use the extra time as "thinking time."*
- *Write down ideas as soon as they occur to you; file them for later evaluation.*
- *Accompany one of your sales people on a few calls. This will increase your credibility with your sales people and provide you with useful ideas for sales training.*
- *Add new, ambitious, aggressive people to your marketing committee. The competition and excitement as well as their new ideas, can be constructive.*

THE COMPUTER'S ROLE IN TELEMARKETING

The preference trend of businesses that sell by telephone has been leaning toward the tried and true method of written scripts instead of computerized scripts. Eva Roman of Campaign Communications Inc., a large outbound telemarketing agency, said "A year ago, we were considering the installation of a computer system. But, just when we were ready to begin, our consultant told us not to do it."

Roman's consultant, Art Blumenfield, president of Blumenfield Marketing, designers of telemarketing computer systems, explained, "Computer scripting looks very efficient at first. When a caller starts out with a new sales campaign, the system walks him through the entire process. But after a whole day of calling, the script is memorized and the system doesn't contribute any longer. Rudy Oetting, president of Telephone Marketing Resources, another telemarketing agency agreed, "We looked at it, but it seems to subvert the power of the medium. Telemarketing is one human being communicating with another and the computer seems to get in the way."

ACTIVITY

MAY, 1985

PAPER MERCHANT SALES REPORT

NPTA Region	Sales Per Selling Day May 1985 - Compared To - May 1984	Sales Per Selling Day May 1985 - Compared To - April 1985	Sales Per Selling Day 1985 Year-to-Date - Compared To - 1984 Year-to-Date	Days Outstanding (Accounts and Notes) At Close of May 1984	1985	Calendar Day Cost* of Ending April Inventory 1984	1985
INDUSTRIAL							
1	− 2.9	− 2.4	+ 1.9	44	35	—	49
2	+ 2.2	+ 3.8	+ 1.6	37	33	56	72
3	− 0.1	+14.8	+ 2.6	38	36	69	61
4	+ 2.3	+ 6.6	+ 2.3	37	37	57	51
5	+ 1.1	+ 2.9	+ 2.7	34	34	62	60
6	− 2.7	+ 4.3	− 9.1	40	40	—	—
7	+ 0.2	+ 3.1	+ 3.2	39	35	56	58
NY	+17.0	+ 5.9	+ 9.3	43	38	—	—
Chicago	+ 8.3	+ 5.6	+ 4.1	38	36	—	—
LA	+ 0.1	+ 4.9	− 2.1	51	47	59	54
US	**+ 2.0**	**+ 6.0**	**+ 2.5**	**39**	**37**	**59**	**57**
PRINTING							
1	− 2.2	−10.4	+12.5	50	50	—	—
2	− 5.1	− 3.5	+ 3.5	45	41	62	45
3	+ 4.4	+14.3	+ 8.7	42	42	91	80
4	− 4.7	−10.2	+ 4.6	42	40	70	64
5	− 4.8	− 3.9	+ 3.8	45	39	85	78
6	− 5.9	+ 6.0	+ 0.7	40	39	—	—
7	− 1.4	− 0.2	+ 7.7	40	38	84	76
NY	−11.3	− 6.1	− 2.3	44	38	—	—
Chicago	− 1.2	− 1.0	+ 3.0	42	41	—	—
LA	+ 3.1	+ 0.2	− 2.0	43	42	84	86
US	− 3.7	− 2.9	+ 3.8	43	41	79	69

*To calculate monthly inventory turnover, divide 365 calendar days by # of calendar days cost, e.g., 365 / 73 = 5.00x.

Region 1: CT, ME, MA, NH, RI & VT
Region 2: DE, DC, MD, NJ, NY & PA (excluding NY Metro)
Region 3: AL, FL, GA, NC, SC, TN & VA
Region 4: IL, IN, KY, MI, MO, OH, WV & WI (excluding Chicago Metro)
Region 5: CO, IA, KS, MN, MT, NE, ND, SD, WY
Region 6: AK, AZ, CA, HI, ID, NV, NM, OR, UT & WA (excluding LA Metro)
Region 7: AR, LA, MS, OK & TX
NY Metro: NY: New York City, Long Island and Westchester Co. NJ: Counties of Bergen, Essex, Hudson, Middlesex, Passaic and Union

Chicago Metro: IL: City of Chicago and Cook, DuPage and Lake Cos. IN: Lake Co.
LA Metro: Cities: Los Angeles, and San Diego. Counties: Los Angeles, San Diego, Orange and Ventura (and neighboring parts of Riverside and San Bernadino)

Selling Days
The actual number of days a firm was open for business or that the sales people made customer calls [calendar days less weekends (if applicable) and holidays]. By supplying selling days of each firm, the sales per selling day are standardized according to actual business conditions or company policies.

Days Outstanding
The number of days outstanding on this report are calculated by adding the current month's sales and the previous month's sales and dividing the total by the number of calendar days of the two months. The result is a figure representing average sales per calendar day.

The total figure provided for closing accounts and notes receivable is divided by the average sales per calendar day. The result is the number of days outstanding at the end of the month being prepared.

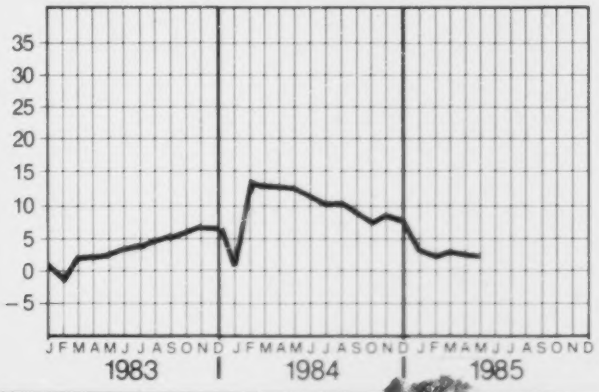
PAPER MERCHANT SALES REPORT

SUMMARY NATIONAL TREND INFORMATION: 1983 TO PRESENT

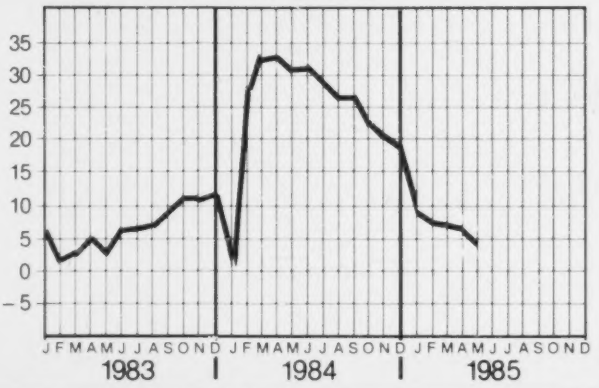
SALES INFORMATION

YEAR-TO-DATE SALES PER SELLING DAY AS A PERCENTAGE OF PREVIOUS YEAR'S YEAR-TO-DATE SALES PER SELLING DAY

INDUSTRIAL PAPER SALES NATIONALLY



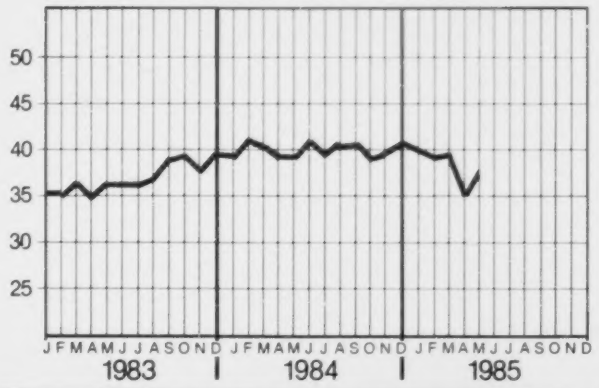
PRINTING PAPER SALES NATIONALLY



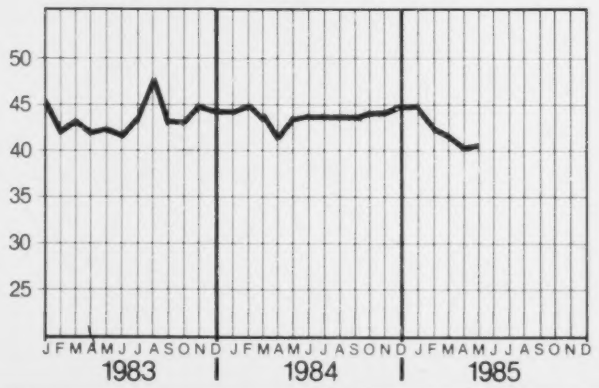
RECEIVABLES INFORMATION

DAYS OUTSTANDING—ACCOUNTS AND NOTES RECEIVABLE FROM PAPER SALES AT END OF EACH MONTH (IN CALENDAR DAYS)

INDUSTRIAL PAPER RECEIVABLES NATIONALLY



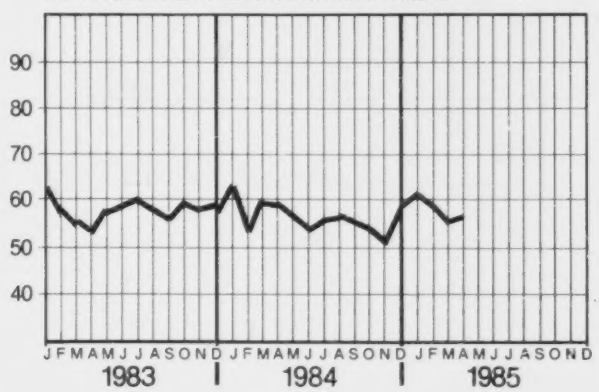
PRINTING PAPER RECEIVABLES NATIONALLY



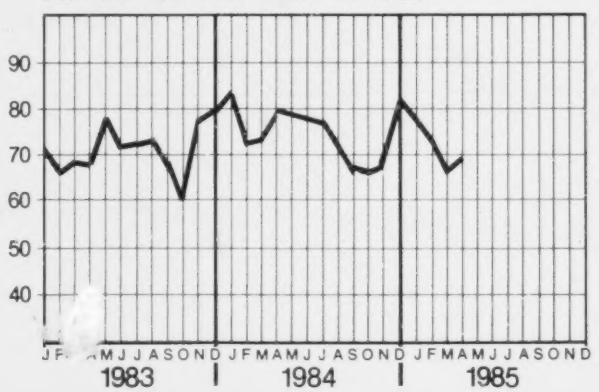
INVENTORY INFORMATION

CALENDAR DAYS COST OF ENDING MONTHLY INVENTORY (FIFO) (IN CALENDAR DAYS)

INDUSTRIAL PAPER INVENTORY NATIONALLY



PRINTING PAPER INVENTORY NATIONALLY



PAPERSOFT

Software for Paper Distributors

IMPROVE SERVICE AND INCREASE SALES —

PAPERSOFT handles the processing of customer orders from phone call to billing. As orders are entered, the user views up-to-the-minute status of the inventory, with a list of suggested substitutes for out of stock items. Product amalgamation, regular bracket pricing, special pricing, and taxes are all automatically applied. Customer backorders are released for shipment as soon as the merchandise is received.

IMPROVE THE EFFICIENCY OF OPERATIONS —

Rapid on-line access to information allows questions to be answered while the customer is on the phone. Information changed in one area is automatically changed for all other areas; all of your people see the same information. Warehouse paperwork is created in picking sequence and only items available in stock are indicated as being available to be picked.

REDUCE INVENTORY INVESTMENT —

Buy the right items at the right time in the right quantities: PAPERSOFT forecasts sales based on demand history, as distinct from sales history, and uses historic leadtimes, costs, and current stock status information. Accurately record all inventory transactions: PAPERSOFT handles all the quantity conversions, order history, backorders, and lost sales. PAPERSOFT provides turn reports and allows both cycle and wall-to-wall physical inventories.

IMPROVE CASH FLOW —

PAPERSOFT automatically sends "over credit limit" orders to the credit manager for approval. Also, with PAPERSOFT you can send invoices with the shipment or create them the same day as shipment for mailing. And because all the pricing, amalgamations, taxes, and totals are done by the computer, invoicing errors are practically eliminated.

ENHANCE MANAGEMENT CONTROL —

PAPERSOFT provides inventory, sales, purchasing, or accounting information in a timely manner, accurately compiled, and with minimum effort. Ad Hoc reporting features allow you to see this information in the manner that is most useful for your specific evaluation and decision making.

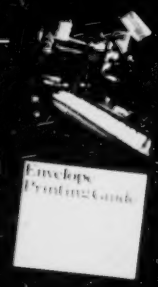
PAPERSOFT was developed by the ComputerWorks in conjunction with Seattle based West Coast Paper Company to meet the specialized needs of Industrial and Printing Paper Distributors. For detailed information, or to arrange for a demonstration, please call the ComputerWorks collect at (206)828-6787.

the ComputerWorks inc.

P.O. Box 70248, Bellevue, Washington 98007
Collect (206)828-6787

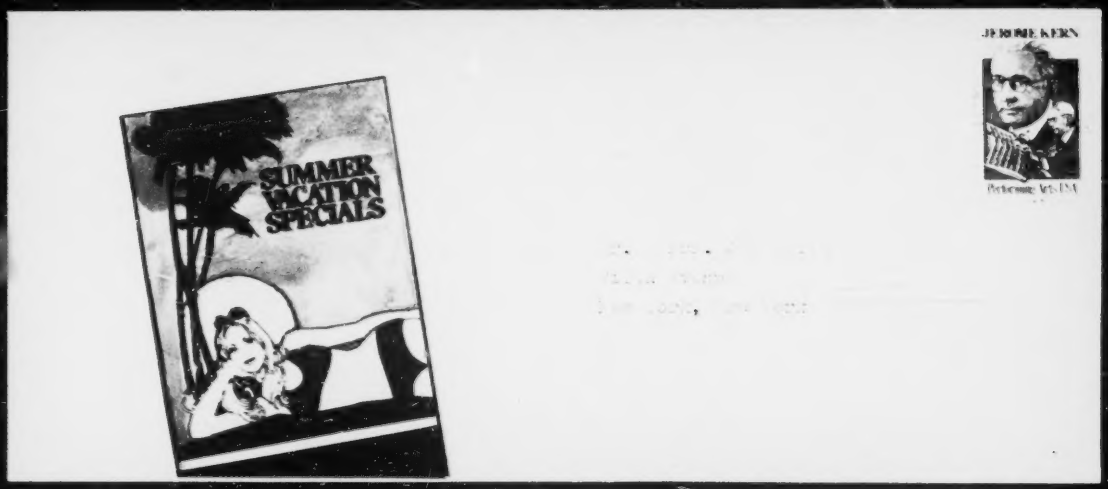
Offer printed envelopes and watch your profits grow! Our new printing capabilities — both flexographic and offset — help you improve your service. Whether your customers want printing on the face or back — or both — we can meet their printing demands!

Fresh off the press, our Envelope Printing Guide is full of helpful tips. To see it, contact a service representative at the plant nearest you.

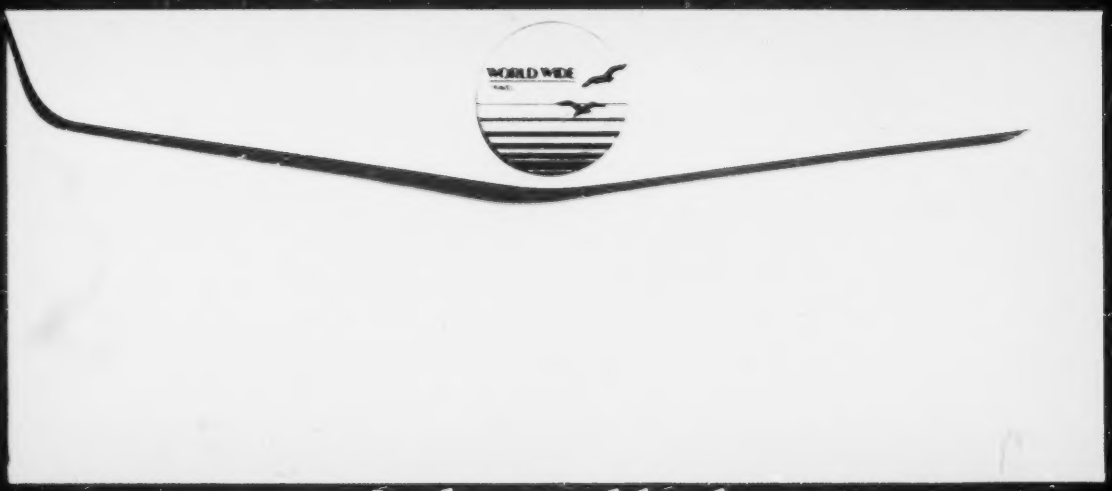


New York Envelope Group
Long Island City,
Union NJ (Champion Envelope)
and Brooklyn (Envelope Convertors)

National Envelope Group
Austell GA, Worcester, MA
St. Louis, MO, Lenexa, KS



When it comes to printing, we put up a good front.



And a good back.